

Write your name on the cover of the test booklet and nowhere else. Enclose this sheet with the booklet. Failure to follow these directions will cost you 1 point. The test has 100 points (to be scaled up to 160 points) and is scheduled to take 50 minutes. Therefore, expect to spend 1 minute for every 2 points. For example, a 12-point question should take 6 minutes. Normally, I cannot give extra time because some students have a class after your class. **However, if all agree I can give some extra time for this test.**

1) (12 points) Answer EITHER Part A OR Part B.

A) What is meant by LDC? Why do some people feel we should not use it?

B) Suppose the population is growing at 5%, the capital stock is growing at 3%, and the GDP is growing at 6%. How fast is TFP growing? Show all work.

5) (14 points) Answer EITHER Part A OR Part B.

A) The Gambia has a life expectancy at birth of 59, an adult literacy rate of 42.4%, a gross enrollment rate of 46.8%, and a GDP per capita of \$1,152. What is their HDI? Set up the calculations **without doing them**. Briefly explain what you are doing.

B) What can the government do to foster growth of capital?

3) (14 points) Answer EITHER Part A OR Part B.

A) Developing countries claim that it is unfair to use GNI per capita as a measure of how well off they are because it leaves out some of their production. Is this a fair claim? Explain your logic.

B) What is meant by NEW? How does it differ from HDI?

4) (18 points) Answer EITHER Part A OR Part B.

A) Why does the book's description of rapidly growing economies include that the country is open to free trade? Give two reasons.

B) Why does the book's description of rapidly growing economies include that the country must have a "favorable geography"? Give two reasons.

2) (18 points) Answer EITHER Part A OR Part B.

A) One of the targets of the MDGs is, "Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2025." Why is this target important? What can the UN do to help reach this target? (Obviously, they missed part of it.)

B) One of the targets of the MDGs is, "Halve by 2015 the proportion of people without sustainable access to safe drinking water." Why is this target important? Note the word "sustainable" is important. What can the UN do to help reach this target?

6) (24 points) Answer EITHER Part A OR Part B.

A) Draw the two-sector labor supply and demand diagram with the two vertical axes. Assume there is a minimum wage. Draw an increase in the minimum wage. Explain why the curve(s) moved as drawn. What happens to the quantity of labor in industry, the quantity of labor in agriculture, and the wages in the two sectors? Briefly explain how you reached each conclusion.

B) Draw the two-sector labor supply and demand diagram with the two vertical axes. Assume there is **not** a minimum wage. Draw an increase in the population. Explain why the curve(s) moved as drawn. What happens to the quantity of labor in industry, the quantity of labor in agriculture, and the wages in the two sectors? Briefly explain how you reached each conclusion.